

25722! 101-13

UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
EXPECTED AT 10:00 a.m.  
May 12, 1983

STATEMENT OF  
ALLAN I. MENDELOWITZ  
ASSOCIATE DIRECTOR, INTERNATIONAL DIVISION

BEFORE THE  
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

ON

THE TRADE REORGANIZATION ACT OF 1983 (S.121)

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss S.121, The Trade Reorganization Act of 1983. This bill would reorganize the trade functions of the U.S. Government by creating a new Department of Trade. International trade is now a very important determinant of the performance of the U.S. economy and we believe its significance will continue to grow. Establishing a Department of Trade would be one way to emphasize the importance of this relationship and the Government's role in international trade relations. Our comments today will include our views on the



121343

025562

interagency nature of the trade policy process, planning the transition, and clarification of GAO's access to certain records.

#### THE INTERAGENCY TRADE POLICY PROCESS

We believe that policymaking in the trade area involves an explicit balancing of economic, foreign policy, and national security interests. Therefore, such policymaking must take into account the interests and concerns of the Departments of Agriculture, Commerce, Defense, Labor, State, and the Treasury. Establishing a Department of Trade will not change the need to balance these interests.

The proposed "Trade Reorganization Act of 1983," (S. 121) recognizes the need to preserve this kind of shared responsibility in the form of a Trade Policy Committee to be established in the Executive Office of the President together with a Trade Negotiating Subcommittee and possible additional subcommittees, including trade policy review groups and trade policy staff committees. However, S. 121 does not provide for participation by the Department of Defense in these interagency groups. We suggest that Defense also be included because of the need for consideration of national security interests in the formulation of international trade policy. Defense also has an important role in the administration of export controls. In addition, Defense has been a major initiator and funding source in the development of high technology sectors which are generally viewed as furthering the competitiveness of U.S. exports.

## PLANNING THE TRANSITION

Mr. Chairman, as you may recall, your predecessor asked us to study problems experienced by selected agencies reorganized under the Reorganization Act of 1977. In response to that request we issued a report in March 1981 in which we examined four reorganizations involving six agencies: the Civil Service Commission (relating to the Federal Labor Relations Authority, the Merit Systems Protection Board, and the Office of the Special Counsel), the Equal Employment Opportunity Commission, the Federal Energy Management Agency, and the International Development Cooperation Agency. During our review we identified what seems to be an important problem in the reorganization process. Substantial time and resources are always devoted to deciding what is to be reorganized; little attention is given, however, to planning the mechanics of how reorganizations are to be implemented.

The six new and reorganized agencies we reviewed experienced substantial startup problems, including

- delays in obtaining key agency officials,
- inadequate staffing,
- insufficient funding,
- inadequate office space, and
- delays in establishing such support functions as payroll and accounting systems.

Solving these startup problems distracted agency officials from concentrating on their new missions during the critical first

year of operations. Two of the agencies experienced delays from 10 to 23 months in obtaining key officials, and six experienced delays from 9 to 30 months in acquiring needed staff. Three of the six reorganized agencies did not have sufficient funds to carry out their new responsibilities, and again all six had difficulty in obtaining adequate office space during the early stages of reorganization. Four agencies experienced delays of from 13 to 29 months in establishing administrative support functions. Obviously, much of the expected benefit of reorganization is needlessly lost or significantly delayed under these circumstances.

In October 1982, we reported on one aspect of Reorganization Plan No. 3 of 1979, namely the transfer of primary responsibility for overseas commercial work from the Department of State to the Department of Commerce. In that report, we concluded that Commerce's lack of preparation to accept this major new responsibility hindered Foreign Commercial Service operations during its first years of existence. Commerce did not have the time prior to the transfer to establish the management systems necessary to operate the Foreign Commercial Service. Further, it provided a headquarters staff that was inadequate in size and lacking the experience to create and routinize the administrative systems necessary to operate the Foreign Commercial Service and, at the same time, meet the day-to-day requirements of supporting the overseas operations. The resultant initial problems created operating deficiencies that marred the Foreign Commercial Service's first years of operation.

The Foreign Commercial Service's ability to meet its responsibilities were further limited by problems related to the transfer of funds and overseas positions from the State Department to the Commerce Department. The State Department did not have readily available the budgetary information necessary to properly implement the transfer of commercial affairs to Commerce and was not given sufficient time to generate this information. This resulted in a problematic transfer of funds and the need for further negotiations. Consequently, the Foreign Commercial Service was forced to begin operations before negotiations on its budget were completed and with certain budget figures on which its management could place little or no reliance. The Foreign Commercial Service, therefore, spent very conservatively during its first year of operation, causing the commercial staff to plan minimal programs and causing disruptions in overseas operations.

Similarly, the use of unreliable data in identifying commercial positions contributed to the transfer of a misallocated overseas staff to the Foreign Commercial Service. The State Department had no means of precisely identifying all overseas positions devoted to commercial work. Both the personnel codings used to determine the transfer of officer positions and the workload statistics used to determine the transfer of Foreign Service National personnel were not necessarily accurate reflections of the time State Department personnel devoted to commercial work. As a consequence, a number of Foreign Service

National employees who had devoted virtually all their time to commercial work were not included in the transfer. On the other hand, State Department officials claimed they transferred some overseas personnel that were not substantially involved with providing commercial services.

We recommended to the Congress in the March 1981 report and again on April 12, 1983, before the Subcommittee on Legislation and National Security of the House Committee on Government Operations that any future legislation granting reorganization authority to the President should require reorganization plans to contain a section on proposed implementation actions to be taken. We believe such a provision should also be included in legislatively mandated reorganizations. We have drafted for your consideration a proposed amendment to S. 121 to provide for implementation planning. (See Attachment I.) This amendment would require the President to submit to the House Committee on Government Operations and to this committee a written plan not later than 60 days after the date of enactment which considers and plans for leadership, staffing, funding, office space, and administrative support functions, so as to implement transfers to and the functioning of the Department of Trade, should it be established.

#### GAO ACCESS TO RECORDS

We have also drafted for your consideration a proposed amendment to S.121 that would amend the Tariff Act of 1930. This amendment would specifically authorize GAO employees making

an audit of the administration of countervailing or antidumping duty statutes to have access to business confidential information "to the extent necessary." (See Attachment II.) The current law states that such information "shall not be disclosed to any person" except Commerce and International Trade Commission employees involved in an investigation under the countervailing and antidumping duty statutes. This provision of the law creates an ambiguity with respect to GAO's ability to gain access to such information under 31 U.S.C. § 716(d).

Mr. Chairman, this concludes my prepared statement, and I will be happy to answer any questions you may have.

Amendment to S. 121 to Provide for Implementation Planning

## Sec. 17 IMPLEMENTATION PLANNING

(a)(1) Not later than 30 days after the date on which this Act is enacted, the President shall establish an interagency task force composed of officials representing the Department of Commerce, the Office of the United States Trade Representative, the Export-Import Bank of the United States and the Department of Trade to plan and assist in implementing sections 4, 5, and 6 of this Act.

(a)(2) The Office of Management and Budget, the General Services Administration, and the Office of Personnel Management shall assist the interagency task force in implementing sections 4, 5, and 6 of this Act to assure that adequate funding, staffing, office space, and administrative support functions are established.

(b) Not later than 60 days after the date of enactment of this Act, the President shall submit to the House Committee on Government Operations and the Senate Committee on Governmental Affairs a written plan for implementing sections 4, 5, and 6 of this Act. The plan shall have considered and planned for factors, such as agency leadership, staffing, funding, office space, and administrative support functions, so as to implement transfers to and the effective functioning of the Department of Trade no later than the date on which this Act takes effect.

Amendment to section 15(a)

Change the period to a comma and add at the end thereof the following

"provided, however, that section 17 shall take effect on the date of enactment of this Act."

Amendment to S. 121 to Amend the Tariff Act of 1930  
to Clarify GAO's Access to Certain Records

Amend section 777 of the Tariff Act of 1930 (19 U.S.C. § 1677F), at subsection (b)(1), by adding after "information is submitted," the following new phrase: "or an officer or employee of the General Accounting Office for the purpose of, and to the extent necessary in, making an audit of the administration of countervailing or antidumping duty statutes."

Sec.18 GENERAL ACCOUNTING OFFICE ACCESS TO CERTAIN RECORDS

(a) The Tariff Act of 1930 Section 777(b)(1) is amended to read as follows

(1) CONFIDENTIALITY MAINTAINED.-Except as provided in subsection (a)(4)(A) and subsection (c), information submitted to the administering authority or the Commission which is designated as confidential by the person submitting it shall not be disclosed to any person (other than an officer or employee of the administering authority or the Commission who is directly concerned with carrying out the investigation in connection with which the information is submitted, or an officer or employee of the General Accounting Office for the purpose of, and to the extent necessary in, making an audit of the administration of countervailing or antidumping duty statutes) without the consent of the person submitting it. The administering authority and the Commission may require that information for which confidential treatment is requested be accompanied by a non-confidential summary in sufficient detail to permit a reasonable understanding of the substance of the information submitted in confidence, or a statement that the information is not susceptible to summary, accompanied by a statement of the reasons in support of the contention.